

Message Text

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17/45

ACTION TRSE-00

INFO OCT-01 EUR-12 EA-07 ISO-00 IO-10 SP-02 AID-05 EB-07

NSC-05 CIEP-01 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03

LAB-04 SIL-01 PA-01 PRS-01 AGR-05 L-03 H-02 TAR-01

/110 W

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P R 301621Z OCT 75

FM AMEMBASSY VIENNA

TO SECSTATE WASHDC PRIORITY 7028

INFO AMEMBASSY ANKARA

AMEMBASSY ATHENS

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY LISBON

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY BELGRADE

AMEMBASSY BERN

AMEMBASSY DUBLIN

AMEMBASSY MADRID

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

AMEMBASSY HELSINKI

AMEMBASSY PARIS

AMEMBASSY CANBERRA

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CORRECTED COPY (TEXT)

EO 11652:NA

TAGS: EFIN, AU

SUBJECT: U.S. PROPOSES DEVELOPMENT SECURITY FACILITY

REFS: A. STATE 253644 B. STATE 221319

1. SUMMARY: ECON/COML COUNSELOR DISCUSSED RATIONALE OF U.S. PROPOSAL FOR AN EXPANDED COMPENSATORY FINANCING FACILITY (CFF) WITH DR. WALTER NEUDOERFER, HEAD OF INTERNATIONAL SECTION IN FINANCE MINISTRY. NEUDOERFER'S INITIAL REACTION WAS A LACK OF ENTHUSIASM FOR U.S. PLAN TO ACHIEVE DEVELOPED COUNTRY CONSENSUS ON ESCHEWING ACCESS TO AN EXPANDED CFF. NEUDOERFER ALSO RAISED TECHNICAL QUESTION FOR WHICH EMBASSY WOULD APPRECIATE GUIDANCE (SEE PARA 4 BELOW). END SUMMARY.

2. ECON/CML COUNSELOR CALLED ON DR. NEUDOERFER AND EXPLAINED RATIONALE FOR U.S. PROPOSALS ON ACCESS TO AN EXPANDED CFF AS OUTLINED REFTELS. STATEMENT MADE BY U.S. EXECUTIVE DIRECTOR TO IMF ON SEPT. 12 WAS LEFT

WITH HIM.

3. NEUDOERFER STATED THAT AS A PRACTICAL MATTER, U.S. PROPOSAL WOULD NOT AFFECT AUSTRIA SINCE IT WAS ONE OF VERY FEW COUNTRIES WHICH HAD NEVER AVAILED ITSELF OF ITS IMF BORROWING RIGHTS. NEUDOERFER INDICATED THAT WHILE HE HAD NOT PREVIOUSLY STUDIED THE U.S. PROPOSAL, HE WAS NOT ENTHUSIASTIC AS A MATTER OF PRINCIPLE ABOUT U.S. CALL FOR CONSENSUS AMONG DEVELOPED COUNTRIES TO FOREGO RECOURSE TO AN EXPANDED CFF. NEUDOERFER EXPRESSED VIEW THAT IN 7TH SPECIAL SESSION OF UNGA, THE DEVELOPED COUNTRIES, WITH THE NOTABLE EXCEPTION OF THE UNITED STATES, HAD ALREADY ACCEPTED LDC DEMANDS PRACTICALLY WITHOUT RESERVATION. CAN YOU GUARANTEE, HE ASKED, THAT THE DEVELOPED COUNTRIES WILL NOT BE PRESSURED INTO IMPLEMENTING ALL THE LDC DEMANDS TO WHICH MOST OF THEM HAVE ALREADY SUBSCRIBED?

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4. EMBOFFS POINTED OUT THAT U.S. PROPOSAL FOR A DEVELOPMENT SECURITY FACILITY SHOULD BE VIEWED AS AN ALTERNATIVE, RATHER THAN AN ADDITION TO VARIOUS LDC PROPOSALS FOR COMMODITY PRICE STABILIZATION AND FOR AN SDR/AID LINK. NEUDOERFER, HOWEVER, SEEMED TO REMAIN UNCONVINCED. HE ALSO EXPRESSED FEAR THAT EVEN IF LIMITED TO LDC'S AN EXPANDED CFF WOULD REPRESENT AN UNDESIRABLE INFLATIONARY ADDITION TO

INTERNATIONAL LIQUIDITY. FINALLY, NEUDOERFER RAISED QUESTION CONCERNING PARA 9C OF REFTEL B. HE ASKED WHETHER IN PROPOSING (A) ELIMINATION OF 75 PERCENT OF QUOTA COMBINED LIMIT ON CFF AND BUFFER STOCK DRAWINGS AND (B) THE RAISING OF CFF DRAWING LIMIT TO 100 PERCENT OF QUOTA (OR 75 PERCENT IF NO DC CONSENSUS IS REACHED), U.S. ALSO PROPOSING TO KEEP PRESENT 50 PERCENT OF QUOTA DRAWING LIMIT ON BUFFER STOCK FACILITY ITSELF. DEPARTMENT GUIDANCE REQUESTED SO THAT WE CAN PROVIDE NEUDOERFER WITH CLARIFICATION ON THIS POINT.

5. COMMENT: NEUDOERFER'S INITIAL NEGATIVE REACTION APPEARS TO BE PRIMARILY RESULT OF HIS FEELING THAT AUSTRIA AND OTHER EUROPEAN COUNTRIES HAVE RECENTLY BEEN TOO ACCOMMODATING TO LDC DEMANDS IN U.N. FORA. AT THE SAME TIME, EMBASSY DOES NOT BELIEVE THAT NEUDOERFER'S INITIAL REACTION (GIVEN HIS FREQUENTLY SKEPTICAL AND CONSERVATIVE VIEWS) WOULD PRECLUDE AUSTRIAN ACCEPTANCE OF U.S. PROPOSAL IF IT APPEARS THAT ALL MAJOR DEVELOPED COUNTRIES ARE WILLING TO GO ALONG. AUSTRIANS ARE ALSO LIKELY TO BE MORE AMENABLE TO U.S. PLAN IF THEY CAN BE CONVINCED THAT OUR PROPOSAL IS A REALISTIC, RESPONSIBLE ALTERNATIVE TO LDC DEMANDS AND WILL NOT SIMPLY BE AN ADDITIONAL, UNRECIPROCATED CONCESSION. BUCHANAN

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Margaret P. Grafeld
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